

Congress of the United States
Washington, DC 20515

October 15, 2007

Mr. Kerry Weems, Acting Director
Center for Medicare & Medicaid Services
Department of Health and Human Services
445-G Hubert Humphrey Building
200 Independence Avenue, SW
Washington DC 20201

Dear Acting Director Weems:

We are writing to express our concerns regarding Center for Medicare & Medicaid Services' (CMS) proposed cuts to partial hospitalization program (PHP) payment rates for community mental health centers (CMHC's) under the proposed FY 2008 hospital outpatient prospective payment system (HOPPS). We are requesting that CMS, at a minimum, maintain partial hospitalization payment rates at the current 2007 level while working with CMHC's to determine a more accurate and fair payment methodology for partial hospitalization services in the future.

While we applaud CMS' goal of fiscal responsibility, we remain concerned that the proposed 24 percent reduction in per-diem payment rates for partial hospitalization services will result in payment rates that do not cover the actual costs for a CMHC to provide such services. As you know, the proposed rule cuts payment rates from a current rate of \$233.37 to \$178.00. Many of our constituent providers feel that the \$178.00 per-diem rate is based on a flawed estimate of the per-diem cost of providing partial hospitalization services in hospitals and CMHC's. Despite increased labor costs and increased demand for mental health services due to the 2005 hurricanes, and a wage index adjustment that has not nearly kept up with those increased costs, PHP's have consistently endured reduced payments since 2005. Between 2005 and 2006, CMS reduced PHP payments from \$289 to \$245.65 (15%) and between 2006 and 2007 from 245.65 to \$233.37 (5%). If the proposed cut for FY 2008 is adopted, cumulative payments to CMHC's would be reduced over 42% from 2005 - 2008.

Additionally, CMS failed to provide in its regulatory impact analysis an estimate of the fiscal impact of the proposed changes on CMHC's and rural providers. As you know, federal agencies are required by law to assess the impact on small entities, including small businesses and small government entities (i.e. rural). Therefore, we would encourage CMS to include this information in its final rule, and to consider the fiscal impact on CMHC's and rural providers before finalizing a payment methodology for partial hospitalization services.

The PHP services provided by CMHC's to the mentally ill are highly structured, clinically intensive programs that are the most resource intensive of all outpatient mental health treatment, and typically include more services per day than CMS will reimburse under this proposed rule. Medicare beneficiaries eligible for PHP services are individuals who would likely require inpatient psychiatric care in the absence of a PHP option. Limiting PHP access will only increase inpatient costs.

We look forward to hearing from CMS regarding our requests, and appreciate your thoughtful attention to this matter.

Sincerely,

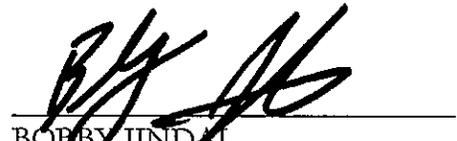

CHARLES MELANCON
Member of Congress

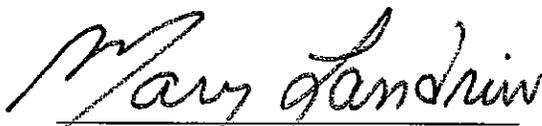

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